

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

FUNDING SUMMARY

Applicant:	Trinity Hospital dba Mountain Community Medical Services (“Trinity” or “Borrower”)	Amount Requested:	Not to exceed \$750,000
Applicant Address:	60 Easter Avenue Weaverville, CA 96093	Resolution Number:	HII-226
Date Requested:	June 26, 2008	Loan Term:	No later than sixty (60) days following the adoption of a 2008-2009 budget by the State of California

Background of Financing:	Many rural hospitals are facing unanticipated and staggering financial burdens associated with the anticipated State budget impasse and delayed Medi-Cal reimbursements; hence they are not receiving their regular Medi-Cal reimbursements. Consequently, Trinity is seeking funding to bridge the financial gap in order to finance vital health services for their communities.
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Purpose:	Loan proceeds will be used to offset Medi-Cal reimbursements delays due to the State’s budget impasse.
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Financial Overview:	Based on the most recent audited financial statements, Trinity’s operating deficit is decreasing from FY 2005 to FY 2007, which appears to be showing improvement in operations. However, FY 2007 Trinity’s auditor has expressed “going concern” uncertainty language, which implies the auditor’s opinion of difficulty in continuing operations. Additionally, Trinity appears not to meet CHFFA’s minimum requirements for debt service coverage of 1.10X with a ratio of 0.11X. This financing is expected to sustain Trinity’s daily operations until the State budget passes.
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Financing Structure:	<ul style="list-style-type: none">▪ The entire loan balance shall be repaid in full no later than sixty (60) days following the adoption of a 2008-2009 budget by the State of California.▪ Loan proceeds are to be disbursed on as-needed basis in a total amount not to exceed the hospital’s third-party-approved Medi-Cal claim.▪ Possible reduction of the Authority’s loan origination fee of 1.25%.▪ Lien on gross revenues.
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Due Diligence:	Due diligence of the following items has been completed or will be completed prior to closing: <ul style="list-style-type: none">▪ Religious Due Diligence▪ Legal Review▪ Community Service Obligation▪ CEQA/Seismic/Pass through (Not required)
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Staff Recommendation:	Staff recommends the Authority approve a Resolution in an amount not to exceed \$750,000 for Trinity Hospital subject to financing terms acceptable to the Authority.
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Trinity Hospital DBA Mountain Community Medical Services
Statement of Activities
(Unrestricted)

	For the year ended May 31 (a)		
	2007	2006	2005
<u>SUPPORT, REVENUE & GAINS:</u>			
Net patient service revenue	\$ 3,839,244	\$ 8,530,324	\$ 7,400,213
Other operating revenue	368,996	2,557	5,199
Total support, revenue and gains	4,208,240	8,532,881	7,405,412
<u>EXPENSES:</u>			
Salaries and wages	1,804,967	4,122,865	3,824,570
Employee benefits	496,414	998,769	1,180,845
Professional fees	918,297	2,204,940	1,937,654
Purchased services	219,535	377,549	643,948
Supplies	474,015	1,105,867	1,091,818
Repairs and maintenance	39,366	134,511	126,826
Utilities	99,626	228,441	212,419
Lease and rental	45,710	69,244	62,858
Insurance	27,718	66,523	62,758
Depreciation and amortization	234,232	372,932	353,047
Other operating expenses	76,408	143,834	719,062
Interest expense	6,936	11,071	6,715
Total expenses	4,443,224	9,836,546	10,222,520
Change in unrestricted net assets	(234,984)	(1,303,665)	(2,817,108)
Unrestricted net assets at beginning of year	(5,390,075)	(4,024,607)	(1,207,499)
Unrestricted net assets end of year	\$ (5,625,059)	\$ (5,328,272)	\$ (4,024,607)

(a) FY 2006 and FY 2005 figures are for the year ending June 30, 2006 and June 30, 2005, respectively.

**Trinity Hospital DBA Mountain Community Medical Services
Statement of Financial Position**

	As of May 31 (a)		
	2007	2006	2005
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 16,238	\$ 268,032	\$ 505,754
Patient accounts receivable, net of allowances	2,879,495	1,710,195	1,661,327
Other receivables	168,554	11,073	-
Inventories	237,049	311,671	225,731
Prepaid expenses	54,551	44,317	19,820
Total Current Assets	3,355,887	2,345,288	2,412,632
Assets limited as to use	4,369	4,526	5,400
Capital assets, net	2,201,158	2,359,783	2,532,131
Total Assets	\$ 5,561,414	\$ 4,709,597	\$ 4,950,163
<u>Liabilities & Net Assets</u>			
Current Liabilities:			
Current Maturities of debt borrowings	\$ 131,019	\$ 50,108	\$ 48,629
Accounts payable and accrued expenses	1,899,521	1,001,152	586,742
Accrued payroll and related liabilities	379,065	378,280	217,173
Estimated third party payor settlements, net	-	151,370	371,500
Total Current Liabilities	2,409,605	1,580,910	1,224,044
Debt borrowings, net of current maturities	113,139	56,005	106,113
Due to Trinity County	8,663,729	8,400,954	7,644,613
Total Liabilities	11,186,473	10,037,869	8,974,770
Net Assets:			
Invested in capital assets, net of related debt	1,957,000	2,253,670	2,376,389
Unrestricted accumulated net deficit	(7,582,059)	(7,581,942)	(6,400,996)
Total accumulated net deficit	(5,625,059)	(5,328,272)	(4,024,607)
Total Liabilities & Net Assets	\$ 5,561,414	\$ 4,709,597	\$ 4,950,163

Financial Ratios:

	<u>Proforma (b)</u>			
Debt Service Coverage (x)	0.11	0.11	(15.40)	(365.95)
Debt/Unrestricted Net Assets (x)	(0.04)	(0.04)	(0.02)	(0.04)
Margin (%)		-5.58%	-15.28%	-38.04%
Current Ratio (x)		1.39	1.48	1.97

(a) FY 2006 and FY 2005 figures are as of June 30, 2006 and June 30, 2005, respectively.

(b) Recalculates 2007 audited results to include the impact of this proposed financing.